

**Ontario Mortgage
and
Housing Corporation**

**2009/10
Annual Report**

**Ministry of
Municipal Affairs
and Housing**

Office of the Minister

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11-3945

TO THE LIEUTENANT GOVERNOR
OF THE PROVINCE OF ONTARIO

MAY IT PLEASE YOUR HONOUR:

For the information of Your Honour and the Legislative Assembly, I am presenting the Annual Report of the Ontario Mortgage and Housing Corporation for the fiscal year 2009/10.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Rick Bartolucci".

Rick Bartolucci, MPP, Sudbury
Minister

**Ontario Mortgage
and Housing Corporation**

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Ontario

Ontario Mortgage and
Housing Corporation
Société ontarienne
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TO THE HONOURABLE RICK BARTOLUCCI
MINISTER OF MUNICIPAL AFFAIRS AND HOUSING

MINISTER:

On behalf of the Board of Directors, I am pleased to present a copy of the Ontario Mortgage and Housing Corporation's Annual Report and audited financial statement for the fiscal year 2009/10.

Respectfully submitted,

Pam Skinner

Vice-Chair

Ontario Mortgage and Housing Corporation

Message from the Vice-Chair

I would like to thank my colleagues on the Board, the officers of the corporation, and ministry staff for their contribution to the corporation.

This year we said good-bye to our Board Chair and good friend Kathleen Blinkhorn. Over the years, the Ontario Mortgage and Housing Corporation has built its success on a foundation of good governance. It's a solid foundation on which to build through our commitment to continuous improvement. The Ontario Mortgage and Housing Corporation upholds the highest priorities of integrity, transparency, accountability, efficiency, and superior performance.

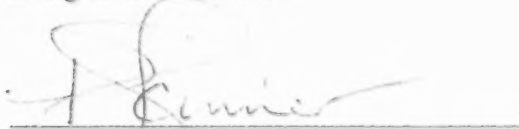
In 2009/10, the Ontario Mortgage and Housing Corporation continued to manage and administer its obligations related to former housing programs, including debt retirement, and environmental obligations related to its former public housing land and properties.

This fiscal year two potential environmental liability issues were identified, of which one claim was received and addressed (Hamilton). The current active request for environmental cleanup for consideration of the Board is by Kenora. The claims by the City of Toronto and Regional Municipality of York continue to be ongoing issues that will not be resolved for a longer period of time.

The transfer of the Region of Waterloo (Riverbank Drive) property was completed in March 2010. The amending agreement between the Ontario Mortgage and Housing Corporation and the Toronto Community Housing Corporation (TCHC) for Phase 2 of the environmental remediation at Regent Park was signed in February 2010.

Under the Dr. Albert Rose Bursary Program, a total of 997 full and part-time bursaries were awarded to students living in rent-geared-to-income housing in Ontario. The amounts awarded were \$1,245.00 for a full-time student and \$415 for a part-time student. A further year end top up went to 759 students, in the amount of \$523.00 per student.

In addition, the County of Simcoe contributed \$250 per student for the 11 bursary recipients living in its service area.



Pam Skinner

Vice-Chair

Ontario Mortgage and Housing Corporation Board of Directors

Annual Report of the Ontario Mortgage and Housing Corporation for 2009/10

The Ontario Mortgage and Housing Corporation's Board of Directors is appointed by the Lieutenant Governor-in-Council and is accountable to the Minister of Municipal Affairs and Housing for ensuring that the corporation effectively carries out its mandate.

A five-member board of public servants oversaw the Corporation's business in 2009/10. The board consisted of:

- **Kathleen Blinkhorn** (Chair, Director) Assistant Deputy Minister, Housing Division (October 1, 2008 – December 6, 2009)
- **Janet Hope** (Director) Director, Ministry of Community and Social Services (Jan 1, 2007 – December 31, 2011)
- **Pam Skinner** (Vice-chair, Director) Assistant Deputy Minister, Business Management Division, Ministry of Municipal Affairs and Housing (April 1, 2007 – December 31, 2011)
- **Dana Richardson** (Director) Deputy Minister, Ministry of Municipal Affairs and Housing; (December 1, 2006 – December 31, 2011)
- **Robert Taylor** (Director) Assistant Deputy Minister, Municipal Services Division, Ministry of Municipal Affairs and Housing effective (October 1, 2008 -- December 31, 2011)

MANDATE

The Ontario Mortgage and Housing Corporation's mandate is addressed under two statutes: the *Ontario Mortgage and Housing Corporation Act* and the *Housing Development Act*.

The Corporation has the capacity to make certain housing-related loans, grants, advances and guarantees, and to enter into certain housing-related agreements. Such actions are subject to the approval of the Lieutenant Governor in Council. The Corporation has the power to borrow, issue debentures and grant mortgages subject to the approval of the Lieutenant Governor in Council. The Corporation also has the power to acquire, hold and dispose of real property. In addition, the Corporation also has the power to manage, administer and deliver all or part of the Affordable Home Ownership Program set out in the Canada-Ontario Affordable Housing Program Agreement.

The current mandate includes maintaining debt retirement obligations, debt service administration for all loans and consolidated debentures pertaining to the Public Housing/Student Residences Programs and the Canada Pension Plan Fund, satisfying obligations related to former public housing and currently owned properties, and carry out any other duties assigned by the Minister of Municipal Affairs and Housing in respect of a matter under the *Ontario Mortgage and Housing Corporation Act*.

ACTIVITIES IN 2009-10

The Ontario Mortgage and Housing Corporation addressed its debt retirement and debt service obligations related to former housing programs and the former public housing portfolio. The Corporation also administered a revolving loan fund for the provincial Affordable Home Ownership Program.

The Corporation has certain environmental liability under the *Environmental Protection Act* (EPA), associated with its former ownership of public housing portfolio. In 2009-10 two environmental claims were addressed.

The Corporation also indemnifies Canada Mortgage and Housing Corporation (CMHC) with respect to defaults under certain non-profit social housing mortgages. No claims have been made to date under this obligation.

The Corporation awarded 997 bursaries under the Dr. Albert Rose Bursary Program to students living in rent-geared-to-income housing, facilitating the pursuit of their academic career.

ADMINISTRATION OF THE PUBLIC HOUSING DEBT

To finance the development of public housing projects, the Corporation obtained capital funding in the form of loans on each project from the Canada Mortgage and Housing Corporation and the province. There were twenty-nine (29) consolidated debentures maturing between 2003 and 2028. Nine debentures matured between 2003 and 2008 and nine debentures matured in 2009/10, with eleven (11) remaining. While the public housing projects were transferred to the local housing corporations, the Corporation continues to administer the corporation's existing financial and debt retirement obligations, including debt service administration relating to these loans and consolidated debentures.

ADMINISTRATION OF LOANS TO COLLEGES AND UNIVERSITIES

Between 1969 and 1972, the Ontario Mortgage and Housing Corporation (then Ontario Housing Corporation) advanced loans to twenty (20) colleges and universities for the development of on-campus student housing. Funding for these loans was obtained from

the Canada Mortgage and Housing Corporation and the Province. As security for these loans, the Ontario Mortgage and Housing Corporation obtained leases on the land. Though these loans reach maturity between 2019 and 2024, the institutions can make early repayment at any time without penalty or bonus. As the loans are fully re-paid, title to the property is transferred from the Ontario Mortgage and Housing Corporation to the college or university.

ONGOING LIABILITY FOR PUBLIC HOUSING PROPERTIES

The Ontario Mortgage and Housing Corporation maintains certain liability related to its former ownership of public housing properties. This includes potential environmental liability (contamination) as per the provisions in the *Environmental Protection Act*. The Ontario Mortgage and Housing Corporation may be required to undertake whatever actions are deemed necessary by the Ministry of the Environment to rectify any environmental contamination that is confirmed to have existed at the time the Ontario Mortgage and Housing Corporation transferred the public housing portfolio to the local housing corporations. Incidences of this nature are expected to be quite rare. To date there have been four potential liability issues, of which one claim was received and addressed (Hamilton). There are currently three ongoing claims (York Region, City of Toronto, and Kenora).

In 2009, the Corporation received one new request to cover the cost of remediating environmental contamination found on former Corporation properties located in the Hamilton area, and this issue has been resolved. There are currently seven known contaminated sites (four sites in the Central Region; one in the Southern Region, one in the Northern Region and one in the Eastern Region). There are four inert and two active projects that staff will continue to track.

The Corporation is developing a disposition plan to transfer parcels of land in the Corporation's name, that are lands used for access roads/walkways and narrow strips of land adjacent to municipal properties, to the appropriate municipalities. The transfer of the Sarnia properties was completed in fiscal 2008. The transfer of the Region of Waterloo (Riverbank Drive) property was completed in March 2010.

The agreement between the Ministry and Toronto Community Housing Corporation for Phase 2 of the environmental remediation at Regent Park was signed in February 2010.

DR. ALBERT ROSE BURSARY PROGRAM

In 2009, a total of 997 full and part-time bursaries were awarded to students living in rent-geared-to-income housing in Ontario. The amounts awarded were \$1,230.00 for a full-time student and \$415 for a part-time student. The end of year top up went to 759 students in the amount of \$523.00 per student.

The Dr. Albert Rose Bursary Program established in 1984 provides financial assistance to social housing tenants in Ontario to enable them to pursue educational and training opportunities. Bursary awards to a maximum of \$3,000 are awarded to full-time students, and a maximum of \$1,000 is available to part-time students. The amount of the Bursary fund available this year was \$1.15 million, allocated to the Ontario Mortgage and Housing Corporation by the Ministry for the bursary. In addition, Simcoe County contributed an additional \$250 for up to 20 successful applicants residing in Simcoe County. 11 applicants from Simcoe County received an additional \$250.00. Any underspending in the program through students not pursuing their education was redistributed to the other recipients.

NATURE OF OPERATIONS

Under the *Social Housing Reform Act 2000*, the Corporation transferred, for no consideration, ownership of public housing land to local housing corporations (LHCs) which are controlled by services managers. The Corporation retained its investment in student housing and certain other assets, and responsibility for administering the Corporation's debts, the Non-Profit Housing Fund, and contingent liabilities. The Ministry of Municipal Affairs and Housing (the Ministry) provides the Corporation with subsidies to cover its debt service payments and other expenses.

PERFORMANCE DURING THE YEAR 2009-2010

Operational Performance

The Corporation carried out its duties during the course of the year as required by its mandate. Plans were completed within the Ministry to reorganize the units providing the Corporation with its administrative support, which will among other benefits rationalize and improve support to the agency.

Financial Performance

The Corporation managed the business and funds for which it is responsible as required by its mandate, applicable provincial financial guidelines and policies, and the terms of individual transactions and agreements.

Future Performance Measures and Targets

The Ontario Mortgage and Housing Corporation has not yet prepared specific performance targets over and above its general commitments to good management, compliance with applicable rules of financial and administrative performance, and the

requirements of its Memorandum of Understanding with government. As part of its business planning over the coming years, should the Corporation continue in its present form, it would seek to develop performance measures relating to appropriate targets in relation to each activity for which it is responsible.



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Management's Responsibility For Financial Statements

The accompanying financial statements of the Ontario Mortgage and Housing Corporation have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 4, 2010.

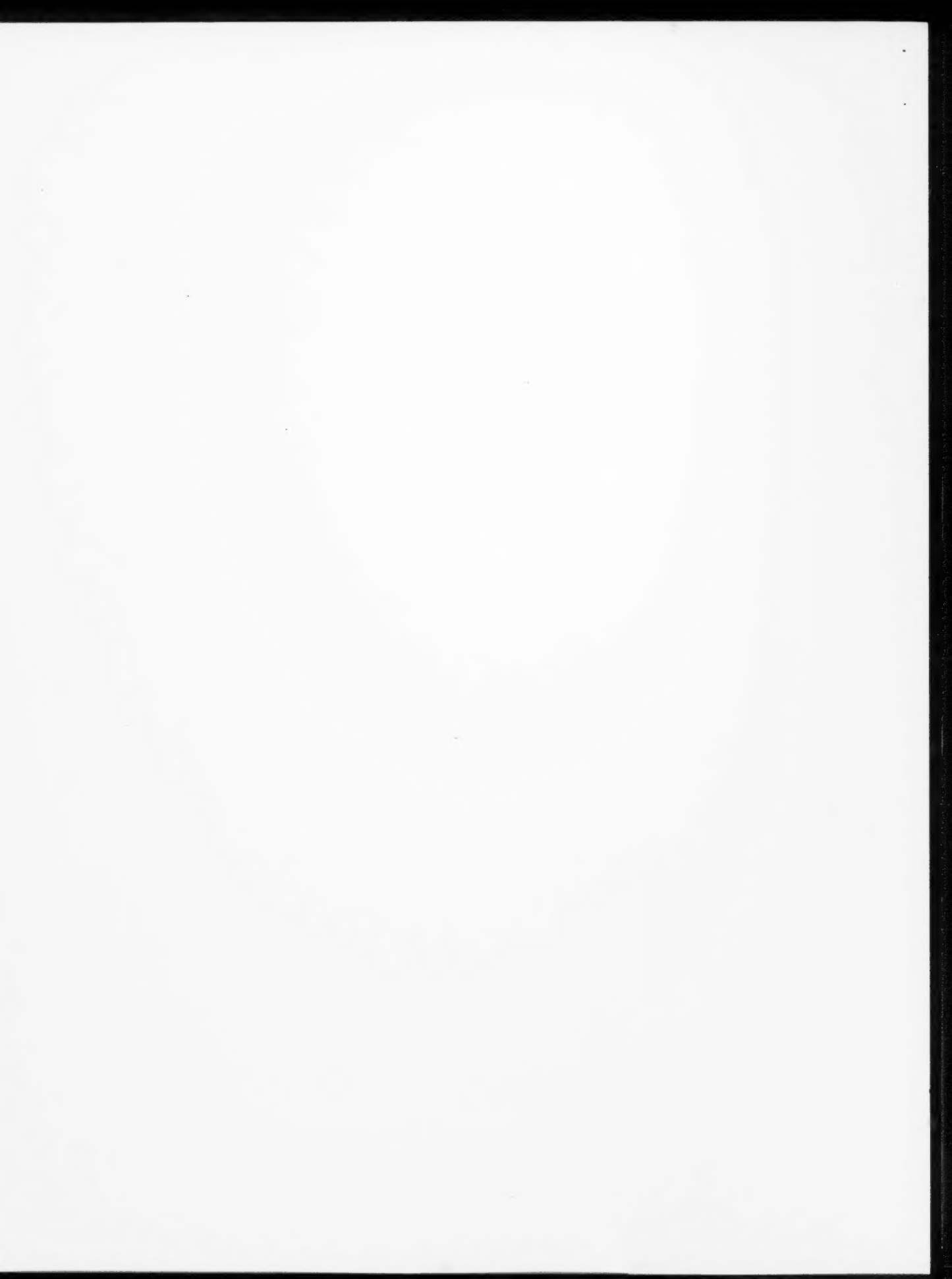
Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

Susan Gillespie
Chief Executive Officer





Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Ontario Mortgage and Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the statement of financial position of Ontario Mortgage and Housing Corporation as at March 31, 2010 and the statement of operations and accumulated deficit for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
June 4, 2010

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Ontario Mortgage and Housing Corporation

Financial Statements

March 31, 2010

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Financial Position
As at March 31

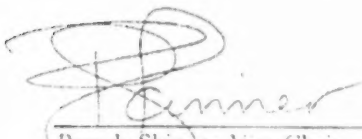
	2010	2009
ASSETS		
	(thousands of dollars)	
Cash	727	968
Accrued Interest from Universities and Colleges	275	294
Due from Province of Ontario	11,975	12,663
Investments in Properties (Note 2)	17,079	19,134
	30,056	33,059
Non-Profit Housing Fund (Note 3)	923,680	1,369,181
	953,736	1,402,240

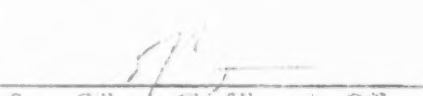
LIABILITIES

Accounts Payable and Accrued Liabilities	12,699	13,647
Current Portion of Long-Term Debt (Note 4)	51,982	49,374
Long-Term Debt (Note 4)	640,986	692,968
	705,667	755,989
Non-Profit Housing Fund (Note 3)	923,680	1,369,181
ACCUMULATED DEFICIT	(675,611)	(722,930)
	953,736	- 1,402,240

CONTINGENT LIABILITIES (Note 5)

See accompanying notes to financial statements on behalf of the Board


Pamela Skinner, Vice Chair


Susan Gillespie, Chief Executive Officer

ONTARIO MORTGAGE AND HOUSING CORPORATION
Statement of Operations and Accumulated Deficit
For the year Ended March 31

	2010	2009
	(thousands of dollars)	
Revenues:		
Subsidies from Province:		
Debt Service Obligations	95,946	96,296
Interest Differential in Non-Profit Housing Fund (Note 3)	16,467	16,888
Bursary Program (Note 6)	1,405	1,443
Environmental Remediation (Note 5b)	65	211
Interest received from Student Housing	1,138	1,209
Miscellaneous	14	22
Total Revenues	115,035	116,069
Expenses:		
Debentures Interest:		
Devolved Properties	47,725	50,887
Interest Differential in Non-Profit Housing Fund (Note 3)	16,467	16,888
Student Housing	1,138	1,209
Amortization Expenses - Chippewa Properties	-	55
Bursary Program (Note 6)	1,405	1,443
Environmental Remediation (Note 5b)	65	211
Miscellaneous	14	17
Total Expenses	66,814	70,710
Excess of Revenues over Expenses (Note 7)	48,221	45,359
Loss on Transfer of Remaining Property (Note 2b)	(902)	-
Accumulated Deficit, Beginning of Year	(722,930)	(768,289)
Accumulated Deficit, End of Year	(675,611)	(722,930)

See accompanying notes to financial statements

NATURE OF OPERATIONS

Under the *Social Housing Reform Act 2000*, the Corporation transferred, for no consideration, ownership of public housing units to Local Housing Corporations ("LHCs") which are controlled by Municipal Services Managers. The Corporation retained its Investment in Student Housing and certain other assets, and responsibility for administering the Corporation's debts, the Non-Profit Housing Fund ("NPHF"), and contingent liabilities. The Ontario Ministry of Municipal Affairs and Housing ("the Ministry") provides the Corporation with subsidies to cover its debt service payments and other expenses.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant accounting policies followed by the Corporation are summarized below:

i. Revenue

Subsidies from the Province are accounted for as revenue, and revenue is recognized when the related expenses are incurred.

ii. Financial Instruments

The Corporation's financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. The classification and method of measurement adopted for the Corporation's financial instruments, including amounts held in the NPHF, are as follows:

- Cash is classified as held-for-trading and is measured at fair value.
- Accrued Interest from Universities and Colleges, amounts due from the Province of Ontario ("the Province"), and Interest Receivable (NPHF – note 3) are classified as loans and receivables and are measured at cost, which due to their short-term nature, approximates their fair values.
- Investments in Properties, Loans to the Province (NPHF – note 3), and Mortgages to Universities and Colleges (NPHF – note 3) are classified as loans and receivables and are measured at amortized cost. Their fair values are disclosed in note 9.
- Accounts Payable and Accrued Liabilities, and Interest Payable (NPHF – note 3) are classified as other financial liabilities and are measured at cost, which due to their short-term nature, approximates their fair value.
- Long-Term Debt, which consists of loans from the Province and Canada Mortgage and Housing Corporation debentures (note 4), and Canada Pension Plan Investment Fund Debentures (NPHF – note 3) are classified as other financial liabilities and are measured at amortized cost. Their fair values are disclosed in note 9.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

iii. Accumulated Deficit

The Accumulated Deficit that resulted from the transfer of properties to LHC's for no consideration is reduced each year by an amount equal to the portion of the subsidy from the Province required to cover principle payments on the Corporation's long-term debt.

iv. Statement of Cash Flows

A statement of cash flows has not been included in these financial statements because the information it would provide is readily apparent from the other financial statements and accompanying notes.

v. Change in Accounting Policy

Effective April 1, 2009 the Corporation adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset and liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items. Adoption of these recommendations had no effect on the financial statements for the year ended March 31, 2010.

2. INVESTMENTS IN PROPERTIES

The Corporation's investments in properties are as follows:

	2010	2009
	(thousands of dollars)	
(a) Student Housing	17,079	18,232
(b) Provincial Housing	0	902
	17,079	19,134

(a) Student Housing

This investment represents funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, title to the properties will be transferred to the respective institutions.

ONTARIO MORTGAGE AND HOUSING CORPORATION
Notes to Financial Statements
March 31, 2010

	2010	2009
	(thousands of dollars)	
Original Cost	35,115	35,115
Less: Accumulated Capital Repayments	18,036	16,883
	17,079	18,232

(b) Provincial Housing

Effective January 1, 2001, ownership of most of the Corporation's investment in properties was transferred, for no consideration, to LHCs. During the year, the last provincial housing property was transferred to a municipality, for no consideration. This transfer created a loss of approximately \$902,000 which is included in the Statement of Operations and Accumulated Deficit.

The funds advanced to cover the cost of this project continue to be associated with a specific long-term debt obligation of the Corporation and the Corporation receives a subsidy from the Province equal to the annual payment on this debt.

	2010	2009
	(thousands of dollars)	
Original Cost	1,262	1,262
Less: Accumulated Capital Repayments	360	360
Less: Transfer of Remaining Property	902	-
	-	902

3. NON-PROFIT HOUSING FUND

The Province authorized the Corporation to borrow funds from the Canada Pension Plan ("CPP") Investment Fund and loan the funds as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units. The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures - weighted average rate of 10.0% (2009 - 10.3%).

The majority of the CPP funds were initially loaned to non-profit housing corporations. However, during 1993-2000, these loans were refinanced in the private sector and, because the debentures could not be repaid ahead of their maturity dates, the funds were loaned to the Province. The CPP debentures have corresponding loans receivable with the same maturity dates and the Fund will be wound up in July 2012 when all loans receivable and debentures have matured.

ONTARIO MORTGAGE AND HOUSING CORPORATION
Notes to Financial Statements
March 31, 2010

The maturity dates of the remaining debentures are as follows:

Debenture No.	Amount	Maturity Date
(thousands of dollars)		
CP-11	188,605	4-April-2010
CP-12	267,561	3-May-2010
CP-13	65,000	5-Jun-2010
CP-14	167,573	5-Jul-2010
CP-15	8,862	2-Aug-2010
CP-16	60,919	2-Nov-2010
CP-17	35,937	4-Dec-2010
CP-18	30,000	9-May-2011
CP-19	32,000	6-Jun-2011
CP-20	7,000	5-Jun-2012
CP-21	23,900	10-Jul-2012
	887,357	

As of March 31, the Fund consisted of:

	2010	2009
(thousands of dollars)		
Assets		
Cash	1,404	1,406
Loans to Province of Ontario	734,823	1,157,212
Mortgages to Universities and Colleges	152,534	166,128
Interest Receivable	34,919	44,435
	923,680	1,369,181
Liabilities and Fund Balance		
Canada Pension Plan Investment Fund		
Current Portion	794,457	435,983
Long-Term Portion	92,900	887,357
Interest Payable	36,287	45,803
Fund Balance	36	38
	923,680	1,369,181

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

The interest rates on the mortgages to universities and colleges are the same as those payable on the Corporation's corresponding debentures. However, the interest rates on the loans to the Province reflect the lower rates in effect at the time they were made and as such the interest payments are not sufficient to service the debentures. The Corporation receives an interest differential subsidy from the Ministry to cover the shortfall.

Details of the transactions related to the fund balance are as follows:

	2010	2009
	(thousands of dollars)	
Balance – Beginning of the Year	38	32
Interest Earned – Loans, Mortgages, Bank	112,454	119,095
Interest Differential Subsidy from the Ministry	16,467	16,888
Interest Paid on CPP Debentures	(128, 923)	(135,977)
Balance – End of Year	36	38

4. LONG TERM DEBT

Long term debt is comprised of the following:

	2010	2009
	(thousands of dollars)	
Canada Mortgage and Housing Corporation	619,615	663,557
Loans Repayable to the Province	73,353	78,785
	692,968	742,342
Less: Current Portion	51,982	49,374
	640,986	692,968

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation ("CMHC") and received capital funds from the Province to finance investments in real property – now devolved to the LHCs. The capital funds provided by the Province have been reclassified as Loans Repayable to the Province, with interest and principal payments being made to the Ontario Ministry of Finance. The interest expense is included in the Statement of Operations and Accumulated Deficit and is off-set by the subsidy from the Ontario Ministry of Municipal Affairs and Housing.

Interest on both the CMHC debt and the Loans Repayable to the Province are payable at various rates based on individual agreements – the weighted average rates are 6.4% and 7% respectively (2009 – 6.6% and 7.1% respectively). Interest expense for March 31, 2010 totaled \$48.3 million (2009 – \$52.1million), \$5.5 million (2009 – \$6.0 million) of which was paid to the Province.

Scheduled payments of principal and interest over the next five years are as follows:

	CMHC Debentures	Loans Repayable to Province	Total
	(thousands of dollars)		
2011	89,202	10,949	100,151
2012	88,033	10,766	98,799
2013	87,820	10,700	98,520
2014	86,732	10,482	97,214
2015	84,550	10,181	94,731

5. CONTINGENT LIABILITIES

- a) The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of loan defaults on projects funded by the Province.

The Ministry will reimburse any costs incurred by the Corporation. As of March 31, 2010, there were \$7.4 billion (2009 – \$7.7 billion) of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

- b) Under the *Social Housing Reform Act*, the Corporation retained the liability for cleaning up environmentally contaminated sites within the former public housing portfolio. Although the total cost of potential remediation is unknown, the Corporation will be reimbursed by the Ministry for costs incurred. Cumulative expenditures for site remediation to March 31, 2010 are \$1,993,248 (2009 – \$1,928,000).

The Corporation had three outstanding claims as at March 31, 2010: the multi-year Regent Park commitment, one site in the Regional Municipality of York, and one site in the City of Kenora.

Regent Park, formerly owned by the Corporation, is being re-developed by the Toronto Community Housing Corporation (TCHC). Based on the redevelopment plan prepared by TCHC, it is expected to take 12 to 15 years for the redevelopment of Regent Park and environmental remediation may be required at each stage of redevelopment. The estimated remediation cost of Regent Park is expected to be \$2.2 million.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to Financial Statements

March 31, 2010

At the Regional Municipality of York ("the Region") site, formerly owned by the Corporation, the Region is currently investigating options for remediation. There has been no claim for payment. The Region's estimated remediation cost is expected to be \$1 million.

At the City of Kenora site, formerly owned by the Corporation, the City of Kenora is currently investigating options for remediation. The estimated remediation cost is expected to be \$55,000.

The Corporation may spend up to \$1,250,000 in 2010-11 for environmental remediation.

6. BURSARY PROGRAM

The Dr. Albert Rose Bursary program is primarily funded by the Province but may also receive additional funding from municipal service managers and other sources. The program offers financial assistance to rent-geared-to-income tenants in Ontario who wish to acquire a post-secondary education.

7. EXCESS OF REVENUES OVER EXPENSES

The subsidies from the Province include amounts intended to cover the interest and principal payments on the Corporation's long-term debt. The interest is included in the Corporation's expenses and the excess of revenues over expenses represents the principal payments.

8. RELATED PARTY TRANSACTIONS

The Corporation is controlled by the Province and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Transactions with related parties were:

a) Loans to Ontario Colleges

As of March 31, 2010, the outstanding balance due from colleges with respect to Student Housing loans (note 2) was \$899,000 (2009 - \$939,000) and Non-Profit Housing Fund mortgages (note 3) was \$28,333,000 (2009 - \$28,333,000). Total interest and principle payments received from colleges for both programs was \$2,751,000 (2009 - \$2,751,000).

b) Administrative Expenses

The Ministry provides administrative services to the Corporation at no charge. The Corporation does not have any payroll expense as all personnel are Ministry's employees and are paid by the Ministry.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Information about the Corporation's financial instruments and risks is as follows.

The Corporation is not exposed to significant credit risk as amounts classified as loans and receivables are due primarily from the Province and publicly-funded Ontario colleges and universities.

The carrying amounts of short-term financial instruments approximate fair values.

Long-term financial instruments consist of Investments in Properties (note 2), loans from the Province, CMHC debentures (note 4), and CPP debentures in the NPHF (note 3). The estimated fair values of the Investments in Properties, the CMHC debentures, and the CPP debentures in the NPHF are based on the future cash flows associated with each instrument discounted using an interest rate based on the market prices at March 31, 2010 for debt instruments with similar characteristics. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Consequently, the fair value estimates are not necessarily indicative of the amount these instruments would trade for in actual market transactions.

At March 31, 2010 the estimated fair value of: Investments in Properties (note 2) approximated its book value of \$17.1 million (2009 - \$19.1 million); CMHC debentures (note 4) exceeded their aggregate book value by \$102 million (2009 - \$132 million); and CPP debentures in the NPHF (note 3) exceeded their aggregate book value by \$26 million (2009 - \$192 million). The Corporation is controlled by the Province, therefore, the fair value of loans receivable from the Province (note 3) - \$735 million (2009 - \$1.157 billion) and loans repayable to the Province (note 4) - \$73.4 million at March 31, 2010 (2009 - \$78.8 million) has not been calculated.

10. CAPITAL DISCLOSURES

The Corporation considers cash to be its capital. In managing capital, the Corporation's objectives are to ensure that sufficient cash is on hand to service its debts and pay its expenses. In this regard, the Ministry ensures the Corporation's objectives are met by providing sufficient subsidies, as well as administrative services at no charge to the Corporation.

The Corporation's investments in properties and non-profit housing fund loans are each associated with specific debt obligations of the Corporation. Interest and principle payments received from the investments and loans are used to service the associated debts.

As at March 31, 2010 the Corporation has met its capital objectives and is not subject to any externally imposed capital requirements.

11. ACCOUNTING POLICY TRANSITION

In 2009, Public Sector Accounting Board issued the Exposure Draft for "Financial Reporting by Certain Government Organizations". The Exposure Draft proposes that organizations classified as an Other Government Organizations adopt either Public Sector Accounting Handbook or International Financial Reporting Standards ("IFRS") for publicly accountable entities as the primary source of Canadian generally accepted accounting principles beginning on or after January 1, 2011. Taking into consideration the nature of the organization and its users, the Corporation has determined that Public Sector Accounting standards are a more suitable accounting standard to follow. The Corporation will closely monitor the adoption of related changes to ensure it is in compliance with the necessary disclosure requirements but the impact on its financial statements are not expected to be significant.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statements presentation adopted in the current year.